



How to Protect Your Trade Secrets in China?

CCIFC

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- Evolution of Chinese law
- What are trade secrets?
- What are infringements of trade secret?
- What and how to do in case of trade secret infringement?

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Evolution of Chinese Law

1993 PRC Anti-Unfair Competition Law

- 2nd Revision in 2019 for implementation of the Phase One agreement China-US (15/01/2020)

- Judicial interpretation of Supreme People's Court (10/09/2020)

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Important reforms on protection of trade secrets (TS):

- Burden of proof and standard of proof in lawsuits
- Remedies

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What are Trade Secrets?

- All kinds or types of information in business:
- **Technological information:** structure, raw materials, formula, materials, prototype, technologies, method and process, algorithm, data, software and files etc., invoked in 74% cases (IP House)
- **Commercial information** : creative ideas, information for management, marketing, finance, project, specimen, information for bid, data, client information, etc., invoked in 33% cases (IP House)



What are Trade Secrets?

3 condition for qualification of TS:

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- Confidential
- Commercial Value
- Measures of confidentiality

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What are Trade Secrets?

Confidential

A. **Yes** if the information is 1) unknown to persons in **related field** and 2) not easily accessible to them.

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B. **Non** if the information is

- a) of common sense or practice of related field,
- b) observable from product: dimension, composition, materials
- c) disclosed by publication or other medias
- d) disclosed in conference or exhibition accessible to public,
- e) accessible via public channels to persons in related field.

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What are Trade Secrets?

Commercial Valeur

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- Actual ou potential, (avantage compétitif)

Not difficult to satisfy

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What are Trade Secrets?

Measures of confidentiality

Reasonable in view of

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-nature of TS and its support,

-value of TS

-identifiability of measures,

-intention of interest holder

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What are Trade Secerts

Examples of measures of confidentiality:

- Contractual obligations of confidentiality
- Requirement of confidentiality in internal regulation, training, written notice to all those having access to TS (employees, former employees, suppliers, clients, visitors)
- Limit access to or special administration of factory, workshop concerned by TS
- Limit scope of access to TS via mark, classification, isolation, encryption, preservation
- Prohibit or restrict access to computers, electronic devices, website, database, softwares
- Require employee to register, handback, delete accessed TS and its support and to respect obligation of confidentiality

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Note: obligation of confidentiality according to business circumstances

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What are Trade Secrets?

Example of TS: client information

1. name, contact, practice, intention, special need etc. of client.
 2. Old client itself is not TS, but related information about this client.
 3. Client because of its trust in specific employee, follows the employee at its own initiative -> not infringement of TS
- Burdon of proof



What are Trade Secret Infringement?

Direct infringement:

- 1.Acquire TS by theft, bribery, fraud, threat, electronic intrusion, etc
- 2.Disclose, use or allow others to use TS acquired in said manner
3. Disclose, use or allow others to use TS in violation of obligation or requirement of confidentiality
- 4.incite, instigate or assist other in committing above acts.

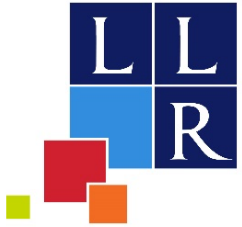
Indirect infringement:

1. acquire, disclose, use or allow others to use TS infringed by above illegal acts if one knows or ought to know the illegal acts.

Note:

- 1.not property right but opposable to illegal acts
2. applicable to non-business operators

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What and how to do in case of trade secret infringement?

Evaluate the situation

1. What are the information at issue?

2. Information used by suspected infringer is identical or essentially similar to your TS?

- Evidence (direct or indirect) on information used by adversary

3. How TS has been transmitted to adversary?

– Evidence on the way of transmission? (former employee? client? partner?)

⇒ Infringement or not?

⇒ Possibility or difficulty to collect more evidence?

⇒ Chance of success for action



What and how to do in case of trade secret infringement?

Actions to take pre-litigation

1. Collect evidence on leaking of TS:

- Contract with related persons or parties,
- Record on access to TS by related persons,
- record of transmission (email, etc.) or visit (database, website) of TS

2. Collect evidence on information used by adversary

- Purchase of their product, preservation of their description of related product on line or on brochure etc.
- Preservation of evidence on their related activities



What and how to do in case of trade secret infringement?

Actions to take during litigation

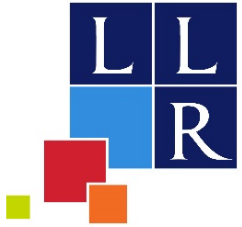
1. Request court seizure of evidence before or during lawsuit
2. Request of injunction before or during litigation

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Note:

- Preliminary evidence as solid basis for such request
- Prudence of court to act
- Protection of TS of adversary

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What and how to do in case of trade secret infringement?

Burden of proof and standard of proof on qualification of TS

Law of 2019:

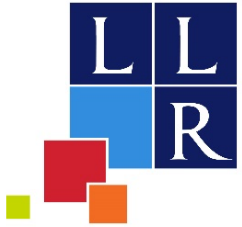
Plaintiff: *prima facie* evidence on reasonable measures of confidentiality and on infringement of TS

-> then

defendent: Plaintiff claimed informtion is not TS

Note:

- Plaintiff need specify what information concerned
- Quite favorable to plaintiff



What and how to do in case of trade secret infringement?

Burden of proof on determination of TS infringement

Law of 2019

Plaintiff: prima facie evidence on infringement of TS and evidence on any of the following:

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- Evidence on ways or opportunities that defendant has to access to TS and the information used by it is essentially similar to TS,
- Evidence on Disclosure or use of TS or risk of disclosure or use,
- Other evidence on TS infringement

-> then

Defendant: need prove there is no TS infringement: its own R&D (including reverse engineering), other legal source, prior art

Note: not quite clear

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Remedies



-Stop use

-Keep secret

- Damages:

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Loss of plaintiff -> profit of defendant -> statutory damages of 5million CNY (630k euors) max.

-> in case of bad faith infringement: 5 times the loss or the profit

Statutory damages: commercial or technical value, R&D cost, competitive advantage, consequence to plaintiff, etc.

Note: statutory damages applied in 80,53% of cases (IP House)

- Return or destruction of TS support or materials

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Administrative Procedure and Criminal Procedure

Administrative procedure:

- Administration for Market Regulation
- Stop use, confiscate illegal profit, fine up to 5 millions CNY (610k €) max.

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Criminal procedure

- Polie – procuraterate
- Imprisonment, confiscate illegal profit, fine

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Questions ?



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